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NSC BRIEFING

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I. The Iranian government, which has recently been hinting at a policy "reappraisal," may now be on the verge of making decisions seriously affecting Free World interests.

A. Last week the Shah warned that unless Iran's vital requirements are met by the US and the Baghdad Pact, he will be forced to "come to terms" with the USSR and "definitely alter Iran's policy with regard to military alliances."

B. Last Sunday Foreign Minister Hekmat told Amb Wailes that Iran is "living next door to a beast," and that while he could give no details then, the US would have to trust in its "friend" Iran and in how it "will deal with the Soviet Union."

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C. the Shah is seriously considering a 50-year nonaggression pact offered by the Soviets which would be guaranteed by five countries including the UK, France, and India.

1. The only Soviet condition is that Iran not sign the pending bilateral military agreement with the US.

2. The Shah apparently intends to demand cancellation of portions of the 1921 Soviet-Iranian treaty (Arts. V and VI; see Annex).

3. Iran would be offered Soviet military and economic aid, but could continue receiving US aid.

II. Iran's current attitude may be mainly a bargaining tactic to get more US aid and stronger US commitments--but the Shah has gone further in his latest threats than in previous year when pressing for budgetary aid.

A. The Iranians have also been greatly concerned over the influence of Communism in Iraq.

1. Iraq has become a new base for Tudeh activities, with known Tudeh leaders now in Baghdad.

2. The Shah recognizes the potential threat of Iraqi and Soviet-inspired subversion among Kurdish and Arab tribes in Iran.

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III. In Iran itself, meanwhile, the Shah's reform program has done little to eliminate the discontent evident to some extent among all classes.

A. Anti-regime elements are reported among the military with the potential for ousting the Shah or forcing him into a subordinate role.

B. Assassination of Shah, with no leadership group organized to assume immediate control, could result in Chaos.

IV. Meanwhile, the top leaders of Iran's important Qashqai tribe (300,000 strong) are planning to leave US and European places of exile to go to Baghdad and work against the Iranian regime with any nationalist or anti-Shah elements (Kurds, Arabs, Baktiari, army elements, etc.).

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- B. These leaders long in opposition to Shah; they supported Mossadeq; they also revolted in 1946 in protest to Communists in Qavam cabinet and the setting up of Communist puppet state in Azerbaijan.
- C. They claim to be motivated now by desperate financial straits resulting from Iranian govt's expropriation of land as well as traditional antipathy to Shah.